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to: Assistant Vice Presidents with Responsibility for Planning, Budgeting, Economic Analysis, Comptrollers and Capital Recovery

entities: BellSouth Corporation, BellSouth Telecommunications, Inc.

from: Assistant Vice President - Finance and Human Services

description: Transmits current view of the BellSouth Region Telephone Plant Indexes (BSRTPI) and BSRTPI Forecasts through 2007.

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This letter transmits the 1998 version of the BellSouth Region Telephone Plant Index (BSRTPI). Included in the attachments are an overview of the major assumptions, the historical index by account, the forecast of percent cost change, and a comparison to other price indexes. This issue updates the historical indexes and forecasts sent October 23, 1997 in RL: 97-11-002BT.

The BellSouth Region Telephone Plant Indexes and Forecasts are meant solely for use by authorized BellSouth organizations responsible for planning, budgeting and economic analysis of telephone plant. The information contained herein should not be disclosed outside BellSouth or any of its subsidiaries except under written agreement.

Questions regarding this letter may be directed to Alan Lafourcade (205) 977-8846.

B. K. Tolbert  
Assistant Vice President -  
Finance and Human Services

Attachments

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## The BellSouth Telecommunications TPI's - October 1998

**Macroeconomic Assumptions** - The macroeconomic forecasts of GDP and its chain price index are from BellSouth's September economic view. Those forecasts were used to determine the forecasts of the nonresidential structures price index and the PPI for capital equipment. JPC provided the forecasts of union wages, copper prices, and PVC prices.

The current expansion of the U.S. economy has entered its eighth year. While there is little immediate risk of recession, the impact of the Asian financial problem is putting downward pressure on U.S. growth rates. The economy in 1998 is expected to show a 3.3 percent rate of growth but that rate is forecast to slow to about 1.9 percent in 1999. The BellSouth forecast does not predict a recession during the forecast period and for the period 1998-2007, growth in GDP is expected to average 2.5 percent per year.

Long run population projections show population growth of about 1 percent per year into the middle of the next decade. Even with a rising percentage of people in the labor force, the modest rates of growth assumed in this forecast will keep the unemployment rate at about 5 percent for most of the forecast period unless there is a recession. Consequently, tight labor markets will tend to put upward pressure on wages. The impact of those wage increases on companies' bottom lines will be offset somewhat by slightly higher growth in labor productivity.

The increase in the GDP price index will average 2.2 percent per year during the 1998-2007 forecast period. Union wages for the U.S. overall will show an average annual increase of 3.4 percent; however, workers with more skills will receive larger than average increases. Capital equipment prices will increase on average only about 1.0 percent per year during the forecast period, substantially below the 4.4 percent average annual increase of the 1980's. That reflects both the larger impact of declining electronic goods prices, such as computers, and the dampening effect the world's over supply of auto production capacity will have on auto prices in the near term. The nonresidential structures price index will show an average 2.1 percent per year increase during the forecast period.

This forecast does not include a recession. However, the fine balance between continued growth and stable inflation may be difficult to maintain. The Federal Reserve Board has been reluctant to tighten money given the current instability of world financial markets. However, in the longer run, if tight labor markets drive up wages faster than productivity and producers try to maintain profit margins by raising prices, this Federal Reserve Board will tighten monetary policy. That might be enough to cause a mild recession.

**Indexes and Weights** - The actual 1997 BellSouth indexes are in the forecast tables. The equations in the model incorporate the data through 1996 in the determination of the coefficients. The 1997 indexes and the forecasts are being composited using weights that are based on BellSouth's 1996 construction expenditures.

**ESS Materials** - Three major factors will have a significant impact on BellSouth's digital switch account during the forecast period: (1) There will be additions and modifications to already installed digital switches, but there will not be a wholesale replacement of these switches during this forecast period. (2) The approximately 100 1AESS switches remaining in the network are scheduled to be replaced by digital switches by 2004 and (3) BellSouth will be installing packet switching technologies to handle growing demands for data services.

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Almost 60 percent of BellSouth's expenditures on digital switches in 1997 were for Nortel equipment. Prices for those switches were basically unchanged from 1996. An additional 26 percent of expenditures were made on Lucent equipment. Lucent prices increased about 3.5%.

BellSouth's plans call for replacement of 15-20 large analog SPC switches per year between 1998 and 2003. Those switches will be replaced with current generation class 5 digital switches. Those purchases will be made at somewhat improved discounts over current prices. While the new discounts apply mainly to the switches being installed under the analog replacement program, those expenditures should have a large enough weight to keep the digital switch materials index on a flat to slightly declining trend in the near term.

A wholesale migration of voice to a packet-based system is not planned during this forecast period. A universal set of standards for voice over ATM has not been agreed upon and a substantial migration of voice to packet switching will not take place without those standards. The rapid growth in demand for data transport services will continue, and consequently, ATM switches or other packet options, such as IP-based technologies, will have an increasing impact on switch price trends during the latter half of the forecast period. Currently, ATM switches appear to be the switch of choice for the public networks but that equipment made up only a small percentage of BellSouth's switch expenditures in 1997. Prices for all packet switches will tend to be on a flat to downward trend as volume deployments increase during the forecast period.

**Circuit** - The circuit forecast is divided into analog, digital subscriber pair gain and other digital equipment. Throughout the forecast period the overall circuit account is weighted based on the relative expenditures of those three types in 1996. However, analog circuit was less than 2 percent of circuit in 1996 and has virtually no impact on the price trend during the forecast period. Based on 1996 weights slightly less than 60 percent of digital circuit expenditures were for subscriber pair gain equipment. The remaining weight is on the price trend for other, primarily interoffice, digital circuit. Actual expenditures may not match these distributions during the forecast period. Consequently, it is better to use the more detailed subaccounts than the circuit composite whenever possible.

**Interoffice Circuit** - Competitive pressures have prompted a rapid shift towards an optically based broadband interoffice network. Consequently, the deployment of SONET-based equipment has grown rapidly over the past few years. Prices for this equipment have been on a downward trend. In 1997, the prices paid to Lucent and Fujitsu for SONET equipment declined about 5 percent overall.

The forecast assumes a steadily growing share of SONET equipment in the other digital circuit account (primarily interoffice). SONET equipment is assumed to make up the majority of new circuit purchases during the next ten years. In addition, WDM equipment will become more prominently used in the network. DWDM equipment will begin to be deployed by BellSouth in its interoffice environment in late 1998. It will be deployed where it is more economical than placing additional fiber cable and in ATM switch locations where they will eliminate a number of SONET AD multiplexers. As prices drop, deployment of WDM equipment will expand. The demand for WDM equipment will probably put downward pressure on the prices for fiber cable and some of the SONET transmission equipment. Since BellSouth will continue to deploy a wider range of equipment types than the IXCs, this should help keep the price trend for its interoffice equipment on a downward path.

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Most carriers will be progressing towards an all optically-based network platform in the next decade. However, it is unlikely that will be achieved during this forecast period. Optical cross connects and multiplexers are likely to be deployed in the network by the end of the forecast period but will not have a major impact on the price trend.

Prices for other types of interoffice equipment were mixed in 1997. Lucent's T1 equipment increased about 9 percent in price; however, it made up only about 1 percent of interoffice expenditures. Lucent's T3 carrier and crossconnect systems made up about 7 percent of expenditures and increased about 4.5 percent in price. Cisco Systems routers declined in price about 20 percent but were less than half a percent of expenditures. Pulsecom's D4 plugs made up about 4 percent of interoffice expenditures in 1997 and declined about 8 percent in price.

**Digital Loop Carriers** – BellSouth is phasing out conventional DLCs. The share of expenditures going towards these older technologies is assumed to decline very quickly during the forecast period, although channel units, replacement plugs, etc., will still be purchased for existing installations over the next few years. In 1997 expenditures on this older technology appears to have been only about 10 percent of total expenditures for subscriber pair gain technologies. Prices for the older technologies are also rising. Lucent's SLC96 prices, for example, rose almost 13 percent in 1997 while its SLC Series 5 equipment prices rose about 1.5 percent.

The share of expenditures going to the approved vendors for NGDLC equipment, RelTec and DSC, is assumed to increase relatively quickly. Together those vendors accounted for about 30 percent of the subscriber loop expenditures in 1997. DSC's equipment prices fell by about 5 percent in 1997 while RelTec's prices rose about 3 percent.

SONET equipment from Lucent and Fujitsu made up slightly less than 20 percent of expenditures for subscriber pair gain equipment in 1997. Those prices were either declining (Lucent's) or unchanged.

Loop deployment plans call for all new residential developments to be served with FITL network elements. With increased corporate and market emphasis for future services, fiber distribution expenditures will increase significantly. ADSL trials are underway in BellSouth. This high speed service on copper is likely to be the technology of choice over the next few years for the embedded network and its use is expected to expand. However, FTTC and FTTH technologies will become more cost effective after the turn of the century, and their deployment will be impacting the loop indexes by the end of the forecast period.

**Copper and Copper Cable Prices** – Due to the severe economic downturn impacting Asia, copper prices have remained at extremely low levels during most of 1998 and are not expected to recover significantly during 1999.

Asia uses about a third of all the copper consumed in the world, Japan alone accounts for about 14 percent of world copper consumption. The Japanese economy is now in recession and is expected to show little or no growth in 1999. Korea is suffering a severe recession and growth rates in most of the other Asian countries are either negative or substantially below last year's rates. This slowdown in demand combined with the increasing supplies provided by expanded mine and smelter capacity resulted in rising stock levels and the large decline in copper prices seen in 1997 – 1998. While some productive capacity may be shut down until prices begin to recover, that will be a difficult decision for most producers to make. Consequently, copper prices are not expected to show any significant recovery until growth increases in the Asian markets. That probably will not happen before late 1999 or 2000.

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The steep decline in copper prices should, through escalation clauses, translate to declines in copper cable prices in 1998. Cable prices do not generally rise or fall by the same percent as raw copper prices because copper is only one of the inputs to cable production. However, since copper price declines have been substantial, this forecast calls for somewhat larger declines in cable prices in 1998 than did the previous forecast.

**Fiber Optic Cable** - BellSouth's fiber cable network totaled 2.3 million fiber miles in length at the end of 1997. New additions to the fiber network totaled 280 thousand fiber miles. This is down slightly from 1996's level of installation but still expanded the total network by over 10 percent. Overall the LECs and IXC's expanded their fiber networks by about 3.5 million fiber miles in 1997. The rapid increase of fiber deployment by telephone companies, Internet providers and CATV providers has pushed fiber demand up sharply in the past few years. The increased demand has prompted a significant expansion in fiber producing facilities. Corning is increasing its fiber producing capacity both by expanding its current facilities in Wilmington, NC and by building a new plant in Concord, NC. This second plant will be on stream in 1999, and combined with changes in the Wilmington plant, will more than double Corning's capacity. Alcatel and Lucent Technologies have also announced capacity expansions. BellSouth's fiber cable prices have been relatively flat but its fiber cable contracts call for 2 percent per year price declines between now and 2003.

**Other Outside Plant Materials** - After increasing almost 14 percent in 1995, BellSouth's conduit prices fell about 8 percent in 1996 and fell 1 percent in 1997. PVC prices, partly because of the fall in oil prices this year, have fallen steadily during 1998. While strong construction demand has partially offset those raw material cost declines, BellSouth's PVC pipe prices will probably show a decline in 1998.

Pole prices have been virtually unchanged for two years. However, environmental concerns in both the U.S. and Canada will continue to exert upward pressure on chemically-treated wood prices. Consequently, pole prices will probably increase faster than most other components of the TPI during the forecast period.

**Wages** - BellSouth signed a new union wage agreement in August 1998. That agreement called for wage increases of about 12.4 percent over 3 years or about 4 percent per year. While all of the details of this contract are not yet available, those base wage changes have been factored into the forecast for the 1998-2000 period.

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BELLSOUTH TELECOMMUNICATIONS  
HISTORICAL TELEPHONE PLANT INDEXES  
ACCOUNTS ON A PART 32 USOA BASIS  
1988 = 100

ACCOUNT NAME	ACCT #	FRC	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
BUILDINGS	2121	10C	100.0	100.5	102.5	104.9	108.6	109.8	112.4	115.6	119.1	119.6	119.2
MOTOR VEHICLES	2112	40C	100.0	102.7	104.5	108.0	110.4	113.2	116.2	117.6	118.6	117.4	116.8
AIRCRAFT	2113	140C	100.0	104.1	110.3	117.7	122.9	125.8	129.6	135.4	141.0	143.6	143.7
GARAGE WORK EQ	2115	340C	100.0	105.7	112.1	118.0	122.4	124.7	128.1	131.9	135.0	136.4	137.8
OTHER WORK EQ	2116	540C	100.0	104.8	108.8	112.0	115.1	118.1	119.6	122.3	125.0	127.1	129.4
FURNITURE	2122	30C	100.0	103.9	107.4	109.7	111.2	113.1	116.5	119.3	122.1	124.2	124.5
OFFICE EQUIPMENT	2123	430,718C	100.0	99.2	94.9	99.1	102.6	102.5	103.6	103.7	105.0	105.2	104.9
OFF SUPPORT EQ	2123.1		100.0	102.3	102.3	102.6	103.7	103.7	104.0	104.2	104.7	105.1	104.9
OFF COMM EQ	2123.2		100.0	98.8	94.4	98.7	102.3	102.1	103.9	103.9	105.6	105.7	105.2
G.P. COMPUTERS	2124	530C	100.0	99.9	95.8	79.4	66.6	58.4	53.7	48.1	40.4	32.6	28.8
GEN EQ COMPOSITE			100.0	100.6	97.5	89.3	83.0	76.0	72.2	67.5	60.2	52.5	48.9
ANALOG ELECTRONIC	2211	77C	100.0	105.3	107.4	112.1	113.8	113.2	113.8	114.8	121.2	119.7	121.9
DIGITAL ELECTRONIC	2212	377C	100.0	96.6	96.7	93.8	97.2	99.9	96.6	97.4	107.6	107.3	109.3
OPERATOR SYSTEMS	2220	117C	100.0	97.2	95.3	92.1	92.7	95.3	91.3	92.0	100.5	101.0	102.8
RADIO	2231	67C	100.0	104.9	108.1	121.0	127.5	132.6	128.0	125.4	123.7	124.0	124.1
CIRCUIT COMPOSITE	2232		100.0	100.3	99.9	102.5	100.6	103.1	100.2	98.6	96.7	96.2	96.0
ANALOG		57,457C	100.0	102.4	104.8	108.9	111.0	112.7	116.6	118.2	119.3	124.3	126.8
DIGITAL SPG		257C	100.0	100.7	99.8	104.9	100.8	103.8	101.8	101.4	99.4	100.5	100.3
OTHER DIGITAL		157,357C	100.0	99.1	99.2	98.1	98.7	100.8	96.1	92.6	90.6	87.7	87.3
COE COMPOSITE			100.0	99.6	99.6	99.9	100.7	103.2	100.2	99.7	102.1	101.7	102.3
STATION APPARATUS	2311	318C	100.0	98.3	93.4	97.9	101.7	99.4	100.2	101.0	102.6	102.4	101.8
LARGE PBX	2341	258C	100.0	103.4	103.2	105.9	105.2	107.8	104.4	101.8	100.6	100.1	99.9
PUBLIC TELEPHONES	2351	198C	100.0	99.7	99.0	99.5	98.9	101.5	101.6	103.0	103.8	104.5	105.2
OTH TERM EQ	2362	558,858C	100.0	101.2	101.1	102.4	102.6	104.6	103.7	102.2	100.5	99.7	99.8
STATION COMPOSITE			100.0	100.5	100.2	101.2	101.0	103.4	102.7	102.4	101.4	101.1	101.3
INSIDE PLANT COMP.			100.0	99.6	99.6	100.0	100.7	103.2	100.3	99.8	102.1	101.7	102.3

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ACCOUNT NAME	ACCT #	FRC	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
POLES	2411	1C	100.0	102.8	104.5	106.6	111.6	113.9	116.0	125.9	128.0	131.3	133.4
AERIAL CABLE	2421		100.0	111.7	110.6	113.6	104.9	104.6	99.1	107.5	109.7	111.6	114.8
COPPER		22C	100.0	113.6	112.8	116.1	105.9	106.3	101.4	111.5	114.0	116.1	120.3
OPTICAL		822C	100.0	92.0	89.8	91.1	90.2	86.1	77.2	75.4	76.2	76.8	76.1
U.G. CABLE	2422		100.0	101.8	99.1	100.5	95.8	93.2	85.2	88.9	89.9	89.9	90.4
COPPER		5C	100.0	110.3	107.9	109.8	100.2	101.3	96.2	107.3	109.0	108.8	112.5
OPTICAL		85C	100.0	90.9	88.2	89.2	87.9	82.5	72.6	70.3	70.9	71.0	70.0
BURIED CABLE	2423		100.0	108.7	108.3	112.4	105.4	103.7	102.1	107.2	109.4	112.5	114.5
COPPER		45C	100.0	110.4	110.0	114.4	106.2	105.1	104.1	110.0	112.2	115.6	118.1
OPTICAL		845C	100.0	94.5	93.7	95.4	95.7	90.6	86.2	86.6	88.4	89.7	89.7
SUBMARINE CABLE	2424		100.0	106.5	106.5	109.7	107.2	100.8	95.8	96.1	98.4	100.6	101.3
COPPER		6C	100.0	118.3	119.2	123.4	119.3	118.8	116.3	124.1	125.5	129.2	132.6
OPTICAL		86C	100.0	97.1	95.7	97.4	97.2	91.2	86.4	86.4	88.7	90.5	90.9
INBLDG NETWK CABLE	2426		100.0	114.4	113.3	116.8	103.6	105.5	99.8	107.6	110.8	108.7	110.7
COPPER		52C	100.0	114.9	113.9	117.5	103.9	106.4	101.1	109.8	113.2	110.8	113.0
OPTICAL		852C	100.0	96.2	93.8	95.1	94.1	89.3	79.1	76.6	77.8	79.1	79.0
CABLE COMPOSITE			100.0	108.7	107.7	111.1	104.0	102.6	99.2	105.0	107.0	109.4	111.5
COPPER			100.0	111.4	110.7	114.7	105.7	105.2	102.8	110.2	112.5	115.3	118.4
OPTICAL			100.0	92.6	90.7	92.0	91.4	86.5	79.3	78.4	79.4	80.2	79.6
CONDUIT SYSTEMS	2441	4C	100.0	96.8	95.6	93.9	93.9	83.9	87.9	95.7	96.6	98.7	100.5
OSP STRUCTURES			100.0	99.2	99.1	98.8	100.6	94.8	98.2	106.8	108.1	110.6	112.5
OSP COMPOSITE			100.0	107.6	106.7	109.7	103.6	101.6	99.1	105.3	107.2	109.6	111.7
TOTAL COMPOSITE			100.0	102.2	101.7	101.9	99.8	99.4	96.6	97.7	98.0	96.8	96.9

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1988=100

ACCOUNT NAME	ACCT #	FRC	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
MOTOR VEHICLES	2112	40C	100.0	102.7	104.5	108.0	110.4	113.2	116.2	117.6	118.6	117.4	116.8
AIRCRAFT	2113	140C	100.0	104.1	110.3	117.7	122.9	125.8	129.6	135.7	141.0	143.6	143.7
GARAGE WORK EQ.	2115	340C	100.0	105.7	112.1	118.0	122.4	124.7	128.1	131.9	135.0	136.4	137.8
OTHER WORK EQ.	2116	540C	100.0	104.8	108.8	112.0	115.1	118.1	119.6	122.3	125.0	127.1	129.4
FURNITURE	2122	30C	100.0	103.9	107.4	109.7	111.2	113.1	116.5	119.3	122.1	124.2	124.5
OFFICE MACHINES	2123		100.0	99.2	94.9	99.1	102.6	102.5	103.7	103.7	105.0	105.2	104.9
OFFICE SUPPORT EQ.		430C	100.0	102.3	102.3	102.6	103.7	103.7	104.0	104.2	104.7	105.1	104.9
OFF. COMM EQ		718C	100.0	98.8	94.4	98.7	102.3	102.1	103.9	103.9	105.6	105.7	105.2
MATERIALS			100.0	98.3	93.4	97.9	101.7	99.4	100.2	101.0	102.6	102.4	101.8
CONTRACT LABOR			100.0	101.6	103.4	107.1	110.3	113.3	117.0	120.8	124.0	127.1	128.5
TELCO LABOR			100.0	103.3	105.8	107.3	108.8	112.0	115.7	114.2	117.5	119.7	121.6
GEN. PURPOSE COMPUTERS	2124	530C	100.0	99.9	95.8	79.4	66.6	58.4	53.7	48.1	40.4	32.6	28.8
ANALOG ELECTRONIC SW	2211	77C	100.0	105.3	107.4	112.1	113.8	113.2	113.8	114.8	121.2	119.7	121.9
MATERIAL (UNLOADED)			100.0	102.2	103.8	106.8	109.1	107.4	109.2	111.3	115.8	113.9	115.9
INSTALLATION			-	-	-	-	-	-	-	-	-	-	-
EQ SPEC			-	-	-	-	-	-	-	-	-	-	-
MATERIAL (LOADED)			100.0	105.4	107.5	112.4	114.1	113.4	113.8	114.5	121.1	119.4	121.6
TELCO LABOR COE			100.0	103.3	105.9	107.3	108.8	112.0	115.7	114.3	117.5	119.8	121.6
TELCO ENGINEERING			100.0	104.9	105.0	106.5	107.7	108.1	109.9	117.4	119.4	124.7	127.7
DIGITAL ELECTRONIC SW	2212	377C	100.0	96.6	96.7	93.8	97.2	99.9	96.6	97.4	107.7	107.3	109.3
MATERIAL (UNLOADED)			100.0	98.4	96.0	91.2	92.3	94.1	91.2	93.0	100.1	100.2	102.0
INSTALLATION			-	-	-	-	-	-	-	-	-	-	-
EQ SPEC			-	-	-	-	-	-	-	-	-	-	-
MATERIAL (LOADED)			100.0	96.1	96.0	92.9	96.4	99.1	95.5	96.1	106.6	106.1	108.1
TELCO LABOR COE			100.0	103.3	105.9	107.4	108.8	112.0	115.7	114.3	117.6	119.8	121.6
TELCO ENGINEERING			100.0	104.9	105.0	106.5	107.7	108.1	109.9	117.4	119.4	124.6	127.7
OPERATOR SYSTEMS	2220	117C	100.0	97.2	95.3	92.1	92.7	95.3	91.3	92.0	100.5	101.0	102.8
MATERIAL (UNLOADED)			100.0	98.4	96.0	91.2	92.3	94.1	91.2	93.0	100.1	100.2	102.0
LOADED MATERIAL			100.0	96.8	94.8	91.5	92.1	94.8	90.6	91.3	99.8	100.2	102.0
TELCO LABOR COE			100.0	103.3	105.8	107.3	108.7	111.9	115.6	114.2	117.4	119.7	121.5
TELCO ENGINEERING			100.0	104.9	104.9	106.5	107.8	108.2	109.9	117.5	119.4	124.7	127.8
RADIO	2231	67C	100.0	104.9	108.1	121.0	127.5	132.6	128.0	125.4	123.5	124.0	124.1
MATERIAL (UNLOADED)			100.0	106.6	109.8	121.7	129.4	133.8	129.9	127.7	123.7	123.7	123.7
INSTALLATION			-	-	-	-	-	-	-	-	-	-	-
EQ SPEC			-	-	-	-	-	-	-	-	-	-	-
MATERIAL (LOADED)			100.0	104.9	108.4	122.1	129.1	134.8	129.2	125.4	123.4	123.8	123.8
TELCO LABOR COE			100.0	103.3	105.9	107.4	108.9	112.1	115.8	114.4	117.6	119.9	121.7
TELCO ENGINEERING			100.0	104.9	105.1	106.5	107.7	108.1	109.8	117.4	119.4	124.6	127.7

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BELLSOUTH TELECOMMUNICATIONS  
HISTORICAL TELEPHONE PLANT INDEXES  
ACCOUNTS ON A PART 32 USOA BASIS  
1988=100

ACCOUNT NAME	ACCT	FRC	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1/98
CIRCUIT-ANLG & DGTL	2232		100.0	100.3	99.9	102.5	100.6	103.1	100.2	98.6	96.7	96.2	96.0
ANALOG CIRCUIT		57C	100.0	102.4	104.8	108.9	111.0	112.7	116.6	118.2	119.3	124.3	126.8
MATERIAL (UNLOADED)			100.0	103.8	105.9	109.3	112.2	112.5	118.1	121.7	120.9	125.6	128.1
INSTALLATION			-	-	-	-	-	-	-	-	-	-	-
EQ SPEC			-	-	-	-	-	-	-	-	-	-	-
LOADED MATERIAL			100.0	102.2	104.5	109.7	111.9	113.4	117.4	119.5	120.5	125.7	128.2
TELCO LABOR COE			100.0	103.3	105.9	107.4	108.8	112.0	115.7	114.3	117.5	119.8	121.6
TELCO ENGINEERING			100.0	104.9	105.0	106.5	107.7	108.1	109.8	117.4	119.4	124.6	127.7
DIGITAL CIRCUIT X SPG		157C,357	100.0	99.1	99.2	98.1	98.7	100.8	96.1	92.6	90.6	87.7	87.3
MATERIAL (UNLOADED)			100.0	99.2	98.8	99.4	100.0	101.2	97.8	94.4	91.4	89.7	89.2
INSTALLATION			-	-	-	-	-	-	-	-	-	-	-
EQ SPEC			-	-	-	-	-	-	-	-	-	-	-
LOADED MATERIAL			100.0	98.8	98.8	97.6	98.2	100.2	95.2	91.4	89.2	86.2	85.7
TELCO LABOR COE			100.0	103.3	105.9	107.3	108.8	112.0	115.7	114.3	117.5	119.8	121.6
TELCO ENGINEERING			100.0	104.9	105.0	106.5	107.7	108.1	109.9	117.4	119.4	124.7	127.7
CIRCUIT-DIG. SUBPAIR GAIN		257C	100.0	100.7	99.8	104.9	100.8	103.8	101.8	101.4	99.4	100.5	100.3
MATERIAL (UNLOADED)			100.0	100.8	99.3	100.8	99.7	101.5	99.2	99.0	95.8	95.1	94.9
INSTALLATION			-	-	-	-	-	-	-	-	-	-	-
EQ SPEC			-	-	-	-	-	-	-	-	-	-	-
LOADED MATERIAL			100.0	100.5	99.3	104.7	100.1	103.1	100.8	100.2	98.0	99.0	98.7
TELCO LABOR COE			100.0	103.3	105.8	107.3	108.8	112.0	115.7	114.2	117.5	119.8	121.6
TELCO ENGINEERING			100.0	104.9	104.9	106.5	107.7	108.1	109.9	117.4	119.4	124.7	127.7
STATION APPARATUS	2311	318C	100.0	98.3	93.4	97.9	101.7	99.4	100.2	101.0	102.6	102.4	101.8
LARGE PBX	2341	258C	100.0	103.4	103.2	105.9	105.2	107.8	104.4	101.8	100.6	100.1	99.9
MATERIAL (UNLOADED)			100.0	100.6	99.6	100.8	100.4	102.0	99.3	97.5	94.5	93.4	93.1
LOADED MATERIAL			100.0	103.3	102.7	105.7	104.6	107.3	103.1	100.0	98.4	97.6	97.3
INSTALLATION (CONTRACT)			-	-	-	-	-	-	-	-	-	-	-
TELCO LABOR			100.0	103.3	105.9	107.4	108.9	112.1	115.8	114.4	117.6	119.9	121.7
TELCO ENGINEERING			100.0	104.9	105.0	106.5	107.7	108.1	109.8	117.4	119.4	124.6	127.7
PUBLIC TELEPHONES	2351	198C	100.0	99.7	99.0	99.5	98.9	101.5	101.6	103.0	103.8	104.5	105.2
MATERIAL			100.0	99.7	99.0	99.5	98.9	101.5	101.6	102.9	103.8	104.5	105.2
TELCO LABOR			100.0	103.3	105.9	107.5	108.9	112.1	115.8	114.4	117.6	119.9	121.7
CONTRACT LABOR			100.0	101.6	103.4	107.1	110.3	113.3	117.0	120.8	124.0	127.1	128.5
OTHER TERMINAL EQ.	2382	58C,858	100.0	101.2	101.1	102.4	102.8	104.8	103.7	102.2	100.2	99.7	99.8
MATERIAL			100.0	100.6	99.6	100.8	100.4	102.0	99.3	97.5	94.5	93.4	93.1
TELCO LABOR			100.0	103.3	105.8	107.3	108.8	112.0	115.7	114.2	117.5	119.7	121.6
TELCO ENGINEERING			100.0	104.9	105.0	106.5	107.7	108.1	109.9	117.4	119.4	124.7	127.7
CONTRACT LABOR			100.0	101.6	103.4	107.1	110.3	113.3	117.0	120.8	124.0	127.1	128.5

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BELLSOUTH TELECOMMUNICATIONS  
HISTORICAL TELEPHONE PLANT INDEXES  
ACCOUNTS ON A PART 32 USOA BASIS  
1988=100

ACCOUNT NAME	ACCT	FRC	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1/98
AERIAL CABLE COMPOSITE	2421		100.0	111.7	110.6	113.6	104.9	104.6	99.1	107.5	109.7	111.6	114.8
AERIAL CABLE-COPPER MATERIAL		22C	100.0	113.6	112.8	116.1	105.9	106.3	101.4	111.5	114.0	116.1	120.3
TELCO LABOR			100.0	126.9	122.2	127.7	97.5	94.3	83.5	101.6	103.3	102.3	108.3
TELCO ENGINEERING			100.0	104.1	106.3	108.2	111.0	115.8	114.8	115.8	119.2	124.8	126.9
CONTRACT LABOR			100.0	104.9	104.9	106.5	107.8	108.2	109.9	117.5	119.4	124.7	127.8
			100.0	101.6	103.4	107.1	110.3	113.3	117.0	120.8	124.0	127.1	128.5
AERIAL CABLE-OPTICAL MATERIAL		822C	100.0	92.0	89.8	91.1	90.2	86.1	77.2	75.4	76.2	76.8	76.1
TELCO LABOR			100.0	84.5	80.8	81.6	79.3	71.1	57.7	53.6	53.6	52.8	51.4
TELCO ENGINEERING			100.0	104.1	106.5	108.6	111.5	116.3	115.3	116.3	119.8	125.3	127.4
CONTRACT LABOR			100.0	104.9	104.8	106.5	107.8	108.2	109.9	117.5	119.5	124.7	127.8
			100.0	101.6	103.4	107.1	110.3	113.3	117.0	120.8	124.0	127.1	128.5
U.G. CABLE COMPOSITE	2422		100.0	101.8	99.1	100.5	95.8	93.2	85.2	88.9	89.9	89.9	90.4
U.G. CABLE-COPPER MATERIAL		5C	100.0	110.3	107.9	109.8	100.2	101.3	96.2	107.3	109.0	108.8	112.5
TELCO LABOR			100.0	117.8	109.9	111.6	85.9	85.3	75.9	94.5	95.0	90.8	95.5
TELCO ENGINEERING			100.0	104.1	106.4	108.2	111.1	115.9	114.9	115.9	119.3	124.9	127.0
CONTRACT LABOR			100.0	104.9	104.9	106.5	107.8	108.2	109.9	117.5	119.4	124.7	127.8
			100.0	102.0	104.2	107.0	109.9	105.1	106.6	109.4	113.1	116.4	117.7
U.G. CABLE-OPTICAL MATERIAL		85C	100.0	90.9	88.2	89.2	87.9	82.5	72.6	70.3	70.9	71.0	70.0
TELCO LABOR			100.0	84.5	80.8	81.6	79.3	71.1	57.7	53.6	53.6	52.8	51.4
TELCO ENGINEERING			100.0	104.1	106.0	107.2	110.0	114.8	113.7	114.8	118.2	123.7	125.7
CONTRACT LABOR			100.0	104.9	105.1	106.4	107.7	108.1	109.8	117.4	119.3	124.6	127.7
			100.0	102.0	104.2	107.0	109.9	105.1	106.6	109.4	113.1	116.4	117.7
BURIED CABLE COMPOSITE	2423		100.0	108.7	108.3	112.4	105.4	103.7	102.1	107.2	109.4	112.5	114.5
BURIED CABLE-COPPER MATERIAL		45C	100.0	110.4	110.0	114.4	106.2	105.1	104.1	110.0	112.2	115.6	118.1
TELCO LABOR			100.0	124.1	118.9	127.9	95.7	94.6	89.8	100.8	99.9	101.6	105.6
TELCO ENGINEERING			100.0	104.1	108.4	108.5	111.3	116.2	115.1	116.2	119.6	125.2	127.3
CONTRACT LABOR			100.0	104.9	104.9	106.5	107.8	108.2	109.9	117.5	119.4	124.7	127.8
			100.0	102.0	104.2	107.0	109.9	105.1	106.6	109.4	113.1	116.4	117.7
BURIED CABLE-OPTICAL MATERIAL		845C	100.0	94.5	93.7	95.4	95.7	90.6	86.2	86.6	88.4	89.7	89.7
TELCO LABOR			100.0	84.5	80.8	81.6	79.3	71.1	57.7	53.6	53.6	52.8	51.4
TELCO ENGINEERING			100.0	104.1	108.0	107.2	110.0	114.8	113.7	114.8	118.2	123.7	125.7
CONTRACT LABOR			100.0	104.9	104.8	106.6	107.8	108.2	109.9	117.5	119.5	124.7	127.8
			100.0	102.0	104.2	107.0	109.9	105.1	106.6	109.4	113.1	116.4	117.7
SUBMARINE CABLE-COMPO	2424		100.0	106.5	106.5	109.7	107.2	100.8	95.8	96.1	98.4	100.6	101.3
SUB. CABLE-COPPER MATERIAL		6C	100.0	118.3	119.2	123.4	119.3	118.8	116.3	124.1	125.5	129.2	132.6
TELCO LABOR			100.0	124.1	118.9	127.9	95.7	94.6	89.8	100.8	99.9	101.6	105.6
TELCO ENGINEERING			100.0	104.1	106.1	107.4	110.2	115.0	113.9	115.0	118.4	123.9	126.0
CONTRACT LABOR			100.0	104.9	105.1	106.4	107.7	106.1	109.8	117.4	119.3	124.6	127.7
			100.0	102.0	104.2	107.0	109.9	105.1	106.6	109.4	113.1	116.4	117.7

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BELLSOUTH TELECOMMUNICATIONS  
HISTORICAL TELEPHONE PLANT INDEXES  
ACCOUNTS ON A PART 32 USOA BASIS  
1988=100

ACCOUNT NAME	ACCT #	FRC	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
SUB CABLE-OPTICAL		86C	100.0	97.1	95.7	97.4	97.2	91.2	86.4	86.4	88.7	90.5	90.9
MATERIAL			100.0	84.5	80.8	81.6	79.3	71.1	57.7	53.6	53.6	52.8	51.4
TELCO LABOR			100.0	104.1	106.4	108.3	111.1	115.9	114.9	115.9	119.3	124.9	127.0
TELCO ENGINEERING			100.0	104.9	104.8	106.6	107.8	108.2	109.9	117.5	119.5	124.7	127.3
CONTRACT LABOR			100.0	102.0	104.2	107.0	109.9	105.1	106.6	109.4	113.1	116.4	117.7
INTRABLDG NW CABLE-COMPOSITE	2426		100.0	114.4	113.3	116.8	103.6	105.5	99.8	107.6	110.8	108.7	110.7
INTBLDG NW CABLE -COPPER		52C	100.0	114.9	113.9	117.5	103.9	106.4	101.1	109.8	113.2	110.8	113.0
MATERIAL			100.0	126.9	122.2	127.7	94.4	95.8	86.6	99.8	103.0	97.2	99.3
TELCO LABOR			100.0	104.1	106.4	108.4	111.2	116.0	115.0	116.0	119.5	125.0	127.1
TELCO ENGINEERING			100.0	104.9	104.9	106.5	107.8	108.2	109.9	117.5	119.4	124.7	127.8
CONTRACT LABOR			100.0	101.6	103.4	107.1	110.3	113.3	117.0	120.8	124.0	127.1	128.5
INTBLDG NW CABLE-OPTICAL		852C	100.0	96.2	93.8	95.1	94.1	89.3	79.1	76.6	77.8	79.1	79.0
MATERIAL			100.0	84.5	80.8	81.6	79.3	71.1	57.7	53.6	53.6	52.8	51.4
TELCO LABOR			100.0	104.1	106.6	108.9	111.7	116.6	115.5	116.6	120.0	125.6	127.7
TELCO ENGINEERING			100.0	104.9	104.8	106.6	107.8	108.2	109.9	117.5	119.5	124.7	127.8
CONTRACT LABOR			100.0	101.6	103.4	107.1	110.3	113.3	117.0	120.8	124.0	127.1	128.5
WIRE COMPOSITE			100.0	108.7	107.7	111.1	104.0	102.6	99.2	105.0	107.0	109.4	111.5
WIRE-COPPER			100.0	111.3	110.7	114.7	105.7	105.2	102.8	110.2	112.5	115.3	118.4
CABLE-OPTICAL			100.0	92.5	90.7	92.0	91.4	86.5	79.3	78.4	79.4	80.2	79.6
AERIAL WIRE	2431		100.0	110.7	110.4	112.9	107.2	109.3	108.2	114.0	116.6	120.9	123.8
MATERIAL			100.0	126.9	122.2	127.7	97.5	94.3	83.5	101.6	103.3	102.3	108.3
TELCO LABOR			100.0	104.1	106.1	107.4	110.2	115.0	114.0	115.0	118.4	123.9	126.0
TELCO ENGINEERING			100.0	104.9	105.1	106.5	107.7	108.1	109.8	117.4	119.4	124.6	127.7
CONTRACT LABOR			100.0	101.6	103.4	107.1	110.3	113.3	117.0	120.8	124.0	127.1	128.5
CABLE & WIRE			100.0	108.7	107.8	111.2	104.0	102.6	99.2	105.1	107.1	109.4	111.6
OSP STRUCTURES			100.0	99.2	99.1	98.8	100.6	94.8	98.4	106.8	108.1	110.6	112.5
POLE LINES	2411	1C	100.0	102.8	104.5	106.6	111.6	113.9	116.6	125.9	128	131.3	133.4
MATERIAL			100.0	100.0	100.0	99.3	108.8	110.8	114.5	134.3	134.3	134	134
TELCO LABOR			100.0	104.1	106.4	108.3	111.1	115.9	114.9	115.9	119.4	124.9	127
TELCO ENGINEERING			100.0	104.9	105.0	106.5	107.7	108.1	109.9	117.4	119.4	124.6	127.7
CONTRACT LABOR			100.0	103.5	106.8	111.2	115.5	118.1	121.2	124.9	127.8	132.1	135
U.G. CONDUIT	2441	4C	100.0	96.8	95.6	93.9	93.9	83.9	87.9	95.7	96.6	98.7	100.5
MATERIAL			100.0	87.0	81.3	72.1	69.5	70.0	73.9	83.9	77	76.1	79.5
TELCO LABOR			100.0	104.1	106.4	108.5	111.3	116.1	115.1	116.1	119.6	125.1	127.2
TELCO ENGINEERING			100.0	104.9	104.9	106.5	107.8	108.2	109.9	117.5	119.4	124.7	127.8
CONTRACT LABOR			100.0	99.9	101.1	103.2	104.4	88.0	92.7	100.4	103.6	106.4	107.7

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BELL SOUTH REGION - BUILDINGS SUBCOMPONENTS  
1988 = 0

	1988	1/1/89	1989	1/1/90	1990	1/1/91	1991	1/1/92	1992	1/1/93	1993	1/94	1994	1/95	1995	1/96	1996	1/97	1997	1/98
GENL RQMT	100.0	100.0	104.0	104.0	108.1	108.1	112.2	112.2	116.3	116.3	120.1	120.1	123.5	123.5	126.8	128.2	130.8	131.8	134.8	136.5
SITWORK	100.0	104.7	102.8	104.2	103.6	103.3	111.0	119.1	117.2	115.5	109.5	109.9	110.7	111.8	113.3	115.0	116.5	117.2	118.2	118.7
CONCRETE	100.0	103.3	99.1	98.7	98.6	98.8	99.3	100.8	99.1	97.7	88.6	89.3	91.4	92.7	95.6	97.4	99	99.9	101.7	103.1
MASONRY	100.0	102.3	96.3	97.3	97.2	98.3	98.6	100.0	100.5	101.6	100.5	101.0	101.5	102.5	104.2	105.8	108.3	109.9	110.6	111.4
METALS	100.0	109.7	106.9	109.2	111.2	113.8	113.7	114.3	112.0	110.1	115.6	113.3	114.8	116.8	121.1	126.1	130.4	134.3	136.8	139.4
WOOD&PLASTICS	100.0	103.5	98.9	97.9	98.0	98.7	98.2	99.6	99.8	99.7	98.2	97.3	99.5	101.3	99.4	99.1	99.2	100.3	101.5	101.6
THERM&MOIST PRO	100.0	102.4	102.9	106.8	107.2	108.3	106.5	105.4	110.0	115.0	113.8	114.7	114.5	113.7	115.6	117.6	124.6	130.2	131	132.2
DOORS&WINDOWS	100.0	105.4	100.1	100.6	100.8	101.8	101.1	101.7	101.8	101.9	115.4	116.5	118.7	120.6	123.0	125.9	127.5	129.1	130.5	131.4
FINISHES	100.0	90.1	93.7	95.1	96.7	98.7	98.6	99.8	99.5	99.7	98.6	98.1	100.6	102.7	100.6	101.0	100.1	101.5	100.1	98.9
SPECIALTIES	100.0	105.6	105.2	107.2	107.7	107.8	105.4	103.1	105.3	107.5	110.3	111.4	112.0	112.7	115.9	118.6	122	125.1	125.4	125.8
SPEC CONST	100.0	106.5	104.9	106.2	107.9	109.4	110.1	110.8	110.0	109.2	109.8	108.5	110.6	112.8	116.8	120.4	123.5	126.3	128.1	130.1
CONVEYING SYSTEMS	100.0	107.9	113.6	123.0	123.3	123.3	123.7	124.2	122.7	121.1	128.1	133.1	135.5	138.0	139.6	140.6	143.8	146.7	148.7	150.8
MECHANICAL	100.0	93.3	99.8	103.6	104.3	105.7	107.2	110.2	113.3	116.9	122.2	126.9	125.2	123.2	126.1	130.6	127.8	125.3	119.1	113.6
ELECTRICAL	100.0	102.0	100.2	100.2	100.6	102.6	103.5	105.8	114.0	122.4	124.4	127.6	131.3	134.4	137.5	141.6	139.8	139.6	138.8	139.1

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BELLSOUTH TELECOMMUNICATIONS  
FORECAST TELEPHONE PLANT INDEXES  
ACCOUNT ON PART 32 USOA BASIS  
OCTOBER 1998 FORECAST OF % COST CHANGE

ACCOUNT NAME	ACCT #	FRC	ACTUAL											
			1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008+
BUILDINGS	2121	10C	0.4	2	2	2	2	2	2	3	3	3	3	3
MOTOR VEHICLES	2112	40C	-1.0	-1	-1	1	1	1	1	1	1	1	1	1
AIRCRAFT	2113	140C	1.8	0	0	2	2	3	4	4	4	4	4	4
GARAGE WORK EQ	2115	340C	1.0	0	0	2	2	2	2	2	2	2	2	2
OTHER WORK EQ	2116	540C	1.7	2	2	2	2	2	2	2	2	2	2	2
FURNITURE	2122	30C	1.7	1	2	2	2	2	2	2	2	2	2	2
OFFICE EQUIPMENT	2123	430,718C	0.2	-1	0	0	0	0	1	1	1	1	1	1
OFF SUPPORT EQ			0.4	0	0	0	0	0	1	1	1	1	1	1
OTH COMM EQ			0.1	-1	-1	0	0	1	1	1	2	2	2	2
G.P. COMPUTERS	2124	530C	-19.3	-20	-19	-18	-17	-17	-16	-16	-16	-15	-15	-5
GEN EQ COMPOSITE			-12.8	-12	-11	-9	-7	-6	-5	-4	-3	-2	-2	0
ANALOG ELECTRONIC	2211	77C	-1.2	1	2	2	2	2	3	3	3	3	3	-
DIGITAL ELECTRONIC	2212	377C	-0.4	-2	-1	1	1	1	2	0	0	-1	-1	1
OPERATOR SYSTEMS	2220	117C	0.5	-3	-1	0	1	1	2	0	0	-1	-1	3
DIO	2231	67C	0.4	0	0	0	0	0	0	0	0	0	1	1
CIRCUIT COMPOSITE	2232		-0.5	-3	-1	-1	-1	0	-1	-2	-2	-2	-2	0
ANALOG		57,457C	4.2	3	2	5	4	3	3	3	3	3	0	-
DIGITAL SPG		257C	1.1	-3	0	-2	0	0	0	-1	-2	-2	-2	0
OTHER DIGITAL		157,357C	-3.2	-3	-3	-1	-2	-2	-2	-2	-2	-2	-2	0
COE COMPOSITE			-0.5	-3	-1	-1	0	0	0	-1	-1	-1	-1	1
STATION APPARATUS	2311	318C	-0.2	-2	-1	-1	0	0	1	1	1	2	2	2
LARGE PBX	2341	258C	-0.5	-2	-2	-1	-1	0	0	-1	-1	-1	-1	1
PUBLIC TELEPHONES	2351	198C	0.7	1	1	1	1	1	1	1	1	1	1	1
OTH TERM EQ	2362	558,858C	-0.5	-1	-1	0	0	1	1	0	0	0	0	1
STATION COMPOSITE			-0.1	0	-1	0	0	0	1	0	0	0	0	1
ISP COMPOSITE			-0.5	-3	-1	-1	0	0	0	-1	-1	-1	-1	1

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**BELLSOUTH TELECOMMUNICATIONS  
FORECAST TELEPHONE PLANT INDEXES  
ACCOUNT ON PART 32 USOA BASIS  
OCTOBER 1998 FORECAST OF % COST CHANGE**

ACCOUNT NAME	ACCT #	FRC	ACTUAL											
			1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008+
POLES	2411	1C	2.6	4	3	4	4	4	4	4	4	4	4	4
AERIAL CABLE	2421		1.7	-1	1	4	4	3	3	3	3	3	3	2
COPPER		22C	1.8	-1	1	4	4	4	4	3	3	4	4	4
OPTICAL		822C	0.8	1	1	1	1	1	-1	1	1	2	2	2
U.G. CABLE	2422		0.0	-1	0	2	2	2	0	2	2	2	2	1
COPPER		5C	-0.2	-2	0	5	4	4	3	3	3	3	4	3
OPTICAL		85C	0.1	0	0	0	0	0	-2	0	1	1	1	1
BURIED CABLE	2423		2.8	1	2	4	3	3	3	3	3	3	4	2
COPPER		45C	3.0	1	2	4	3	3	3	3	3	4	4	3
OPTICAL		845C	1.5	2	2	2	2	2	1	2	2	3	3	2
SUBMARINE CABLE	2424		2.2	1	2	3	3	3	2	3	3	3	3	3
COPPER		6C	2.9	-1	1	4	4	3	3	3	3	3	3	3
OPTICAL		86C	2.0	2	2	2	3	3	2	3	3	3	3	3
INBLDG NETWK CABLE	2426		-1.9	-3	0	4	4	3	3	3	3	3	3	3
COPPER		52C	-2.1	-3	0	5	4	4	3	3	3	3	3	3
OPTICAL		852C	1.7	1	1	2	2	2	1	2	2	2	3	2
CABLE COMPOSITE			2.2	0	1	4	3	3	3	3	3	3	3	2
COPPER			2.5	0	2	4	4	4	4	3	3	4	4	3
OPTICAL			1.0	1	1	1	1	1	0	1	2	2	2	2
CONDUIT SYSTEMS	2441	4C	2.2	2	3	3	4	4	3	3	3	4	4	3
OSP STRUCTURES			2.3	2	3	3	4	4	4	4	4	4	4	4
OSP COMPOSITE			2.2	0	2	4	3	3	3	3	3	3	3	3
TOTAL COMPOSITE			-1.2	-2	-1	0	1	1	1	1	0	1	1	

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ACCOUNT ON PART 32 USOA BASIS  
OCTOBER 1998 FORECAST OF % COST CHANGE

ACCOUNT NAME	ACCT #	FRC	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
BUILDINGS	2121	10C	122	124	126	129	132	136	140	144	148	152
MOTOR VEHICLES	2112	40C	116	115	116	117	118	119	120	121	122	123
AIRCRAFT	2113	140C	144	144	147	150	155	161	167	174	181	188
GARAGE WORK EQ	2115	340C	136	136	139	142	145	148	151	154	157	160
OTHER WORK EQ	2116	540C	130	133	136	139	142	145	148	151	154	157
FURNITURE	2122	30C	125	128	131	134	137	140	143	146	149	152
OFFICE EQUIPMENT	2123	430,718C	104	104	104	104	105	106	107	108	109	110
OFF SUPPORT EQ	2123.1		105	105	105	105	105	106	107	108	109	110
OFF COMM EQ	2123.2		105	104	104	104	105	106	107	109	111	113
G.P. COMPUTERS	2124	530C	26	21	17	14	12	10	8	7	6	5
GEN EQ COMPOSITE			47	42	38	35	33	31	30	29	28	27
ANALOG ELECTRONIC	2211	77C	121	123	125	128	131	135	139	143	147	151
DIGITAL ELECTRONIC	2212	377C	105	104	105	106	107	109	109	109	108	107
ERATOR SYSTEMS	2220	117C	98	97	97	98	99	101	101	101	100	99
DIO	2231	67C	124	124	124	124	124	124	124	124	124	125
CIRCUIT COMPOSITE	2232		93	92	91	90	90	89	87	85	83	81
ANALOG		57,457C	128	131	138	144	148	152	157	162	167	167
DIGITAL SPG		257C	98	98	96	96	96	96	95	93	91	89
OTHER DIGITAL		157,357C	85	82	81	79	77	75	74	73	72	71
COE COMPOSITE			99	98	97	97	97	97	96	95	94	93
STATION APPARATUS	2311	318C	100	99	98	98	98	99	100	101	103	105
LARGE PBX	2341	258C	98	96	95	94	94	94	93	92	91	90
PUBLIC TELEPHONES	2351	198C	106	107	108	109	110	111	112	113	114	115
OTH TERM EQ	2362	558,858C	99	98	98	98	99	100	100	100	100	100
STATION COMPOSITE			101	100	100	100	100	101	101	101	101	101
INSIDE PLANT COMP.			99	98	97	97	97	97	96	95	94	93

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OCTOBER 1998 FORECAST OF % COST CHANGE

ACCOUNT NAME	ACCT #	FRC	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
POLES	2411	1C	136	140	146	152	158	164	171	178	185	192
AERIAL CABLE	2421		111	112	116	121	125	129	133	137	141	145
COPPER		22C	115	116	121	126	131	136	140	144	150	156
OPTICAL		822C	78	79	80	81	82	81	82	83	85	87
U.G. CABLE	2422		89	89	91	93	95	95	97	99	101	103
COPPER		5C	107	107	112	116	121	125	129	133	137	142
OPTICAL		85C	71	71	71	71	71	70	70	71	72	73
BURIED CABLE	2423		114	116	121	125	129	133	137	141	145	151
COPPER		45C	117	119	124	128	132	136	140	144	150	156
OPTICAL		845C	92	94	96	98	100	101	103	105	108	111
SUBMARINE CABLE	2424		102	104	107	110	113	115	118	122	126	130
COPPER		6C	128	129	134	139	143	147	151	156	161	166
OPTICAL		86C	93	95	97	100	103	105	108	111	114	117
INBLDG NETWK CABLE	2426		106	106	110	114	117	121	125	129	133	137
COPPER		52C	108	108	113	118	123	127	131	135	139	144
OPTICAL		852C	80	81	83	85	87	88	90	92	94	97
CABLE COMPOSITE			109	110	114	117	121	125	129	133	137	141
COPPER			115	117	122	127	132	137	141	145	151	157
OPTICAL			81	82	83	84	85	85	86	88	90	92
CONDUIT SYSTEMS	2441	4C	101	104	107	111	115	118	122	126	131	136
OSP STRUCTURES			113	116	119	124	129	134	139	145	151	157
OSP COMPOSITE			110	112	116	119	123	127	131	135	139	143
TOTAL COMPOSITE			95	94	94	95	96	97	98	98	99	100

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BELLSOUTH TELECOMMUNICATIONS TPI COMPONENTS  
OCTOBER 1998 FORECAST

MATERIALS  
(percentate changes)

	COPPER AERIAL CABLE	COPPER U.G. CABLE	COPPER BURIED CABLE	COPPER SUBMARINE CABLE	COPPER INTRBLDG CABLE	COMBINED COPPER CABLE	COMBINED OPTICAL CABLE	POLES	CONDUIT
1995	21.7	24.5	12.2	12.2	15.2	16.6	-7.1	17.3	13.5
1996	1.7	0.5	-0.9	-0.9	3.2	0.2	0.0	0.0	-8.2
1997	-1.0	-4.4	1.7	1.7	-5.6	0.1	-1.5	-0.2	-1.2
1998	-7.9	-8.0	-6.1	-6.5	-7.9	-7.0	-2.0	4.0	-7.0
1999	-3.6	-4.2	-2.4	-2.4	-3.6	-3.0	-2.0	2.7	-2.4
2000	5.1	5.4	5.5	5.5	5.1	5.3	-2.0	3.6	1.1
2001	4.1	3.2	2.3	4.2	4.1	3.0	-2.0	3.6	3.8
2002	3.2	2.9	2.3	2.3	3.2	2.7	-2.0	3.6	2.9
2003	3.0	2.3	2.1	2.3	3.0	2.5	-6.0	3.6	2.0
2004	2.2	1.8	1.6	1.9	2.2	1.9	-2.0	3.6	1.8
2005	2.2	1.9	1.7	1.9	2.2	1.9	-2.0	3.6	1.9
2006	2.5	2.3	1.9	2.1	2.5	2.1	-2.0	3.6	1.9
2007	2.7	2.5	2.0	2.3	2.7	2.3	-2.0	3.6	1.9

	UNLOADED RADIO	UNLOADED ANALOG CIRCUIT	UNLOADED DIGITAL SPG	UNLOADED OTHER DIG CIRCUIT	UNLOADED ANALOG ESS	UNLOADED DIGITAL ESS	UNLOADED OPERATOR SYSTEMS
1995	-1.7	3.0	-0.2	-3.5	1.9	2.0	2.0
1996	-3.1	-0.7	-3.2	-3.2	4.0	7.6	7.6
1997	0.0	3.9	-0.7	-1.9	-1.6	0.1	0.1
1998	-1.0	2.6	-3.3	-3.5	1.4	-2.6	-2.6
1999	-0.9	2.3	-0.3	-3.2	1.7	-1.0	-1.0
2000	-0.5	5.1	-2.3	-1.3	1.9	0.4	0.4
2001	-0.3	4.1	-0.7	-1.9	2.2	0.8	0.8
2002	-0.1	3.3	0.0	-1.9	2.3	0.9	0.9
2003	-0.1	3.0	-0.7	-2.1	2.5	1.5	1.5
2004	0.0	2.8	-1.9	-2.6	2.6	0.2	0.2
2005	0.1	2.8	-3.1	-2.6	2.7	-0.4	-0.4
2006	0.0	2.8	-2.4	-2.6	2.8	-1.2	-1.2
2007	0.0	2.7	-2.4	-2.6	2.9	-1.6	-1.6

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BELLSOUTH TELECOMMUNICATIONS TPI COMPONENTS  
OCTOBER 1998 FORECAST

MATERIALS  
(percentate changes)

	VEHICLES	WORK GARAGE EQUIP WK EQ	OFFICE EQUIP	FURNITURE	COMPUTERS	OTHER COMM EQ	PUBLIC PHONES	OTHER TERM EQ	STATION APPARATUS	
1995	1.2	2.3	3.0	0.2	2.4	-10.4	0.8	1.3	-1.8	0.0
1996	0.9	2.2	2.4	0.5	2.3	-16.0	1.6	0.9	-3.1	0.0
1997	-1.0	1.7	1.0	0.4	1.7	-19.2	-0.2	0.7	-1.2	0.0
1998	-1.3	2.3	0.1	-0.1	0.7	-19.6	-1.7	1.0	-2.6	-1.5
1999	-0.7	1.7	0.5	0.0	1.9	-19.0	-1.1	0.5	-2.8	0.4
2000	0.9	1.8	2.0	0.3	2.2	-18.2	-0.5	0.8	-2.0	0.4
2001	1.1	2.0	2.2	0.5	2.3	-17.4	0.1	0.6	-1.3	0.5
2002	1.0	1.9	2.1	0.4	2.3	-16.7	0.4	0.7	-1.1	0.4
2003	1.2	2.1	2.4	0.5	2.3	-16.1	0.8	0.6	-0.9	0.4
2004	1.3	2.2	2.5	0.6	2.3	-15.8	1.1	0.7	-1.6	0.4
2005	1.3	2.2	2.5	0.6	2.3	-15.6	1.3	0.8	-1.9	0.4
2006	1.2	2.1	2.4	0.5	2.3	-15.4	1.6	0.7	-2.0	0.4
2007	1.2	2.1	2.4	0.5	2.3	-15.2	1.7	0.7	-2.1	0.4

LABOR  
(percentage changes)

	TELCO ENGINEERING	TELCO COE	TELCO OSP	TELCO STATION	CONTRACT CONDUIT	CONTRACT BUR&UG CABLE	CONTRACT AERIAL CABLE	CONTRACT POLES	CONTRACT BOOTHES
1995	6.8	-1.2	0.9	-1.2	8.3	2.6	3.2	3.1	3.2
1996	1.7	2.8	3.0	2.8	3.2	3.4	2.6	2.3	2.6
1997	4.4	2.0	4.6	2.0	2.7	2.9	2.5	3.4	2.5
1998	4.8	2.7	3.5	2.7	3.2	2.7	3.0	3.8	3.0
1999	4.6	3.8	3.8	3.8	3.4	3.1	3.3	3.5	3.3
2000	5.0	4.0	3.9	4.0	3.5	3.3	3.5	3.5	3.5
2001	4.5	4.1	4.1	4.1	3.6	3.5	3.6	3.6	3.6
2002	4.5	4.1	4.1	4.1	3.6	3.5	3.6	3.6	3.6
2003	4.5	4.1	4.1	4.1	3.6	3.5	3.6	3.6	3.6
2004	4.5	4.1	4.1	4.1	3.6	3.5	3.6	3.6	3.6
2005	4.5	4.1	4.1	4.1	3.6	3.5	3.6	3.6	3.6
2006	4.7	4.4	4.4	4.4	3.7	3.7	3.8	3.8	3.8
2007	4.7	4.4	4.4	4.4	3.7	3.7	3.8	3.8	3.8

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BELLSOUTH TELECOMMUNICATIONS TPIs  
OCTOBER 1998 FORECAST ASSUMPTIONS

	PRICE INDEX NONRESIDENTIAL STRUCTURES	CHAIN PRICE INDEX GDP	GDP 1992\$	CAPITAL EQUIPMENT PPI	UNION WAGES	COPPER CATHODE PPI	PVC PPI	SEMICOND. PPI
1994	3.6	2.4	3.5	2.1	3.1	22.2	13.3	-0.9
1995	4.2	2.5	2.0	2.0	2.6	27.9	10.5	-7.0
1996	2.3	2.3	2.8	1.2	2.7	-21.5	-14.5	-8.1
1997	3.3	2.0	3.8	0.0	2.6	-2.9	4.7	-10.9
1998	2.5	1.2	3.3	-0.7	2.9	-26.3	-17.0	-9.5
1999	2.0	1.9	1.9	-0.2	3.2	-5.0	-1.5	-9.0
2000	1.9	2.3	2.6	1.2	3.4	3.5	1.0	-8.0
2001	2.1	2.3	2.3	1.4	3.5	8.0	6.0	-8.0
2002	1.9	2.3	2.3	1.3	3.5	5.0	4.0	-7.0
2003	2.0	2.3	2.4	1.5	3.5	2.5	3.0	-7.0
2004	2.0	2.3	2.5	1.6	3.5	2.5	2.5	-7.0
2005	2.2	2.3	2.5	1.6	3.5	3.0	2.6	-7.0
2006	2.2	2.3	2.5	1.5	3.7	3.5	2.6	-7.0
2007	2.2	2.3	2.4	1.5	3.7	3.5	2.6	-7.0

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